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Roy Wenzlick
President and Editor

A concise easily digested monthly analysis based upon scientific research in real estate fundamentals and trends...Constantly measuring and reporting the basic economic factors responsible for changes in trends and values...Current Studies...Surveys...Forecasts

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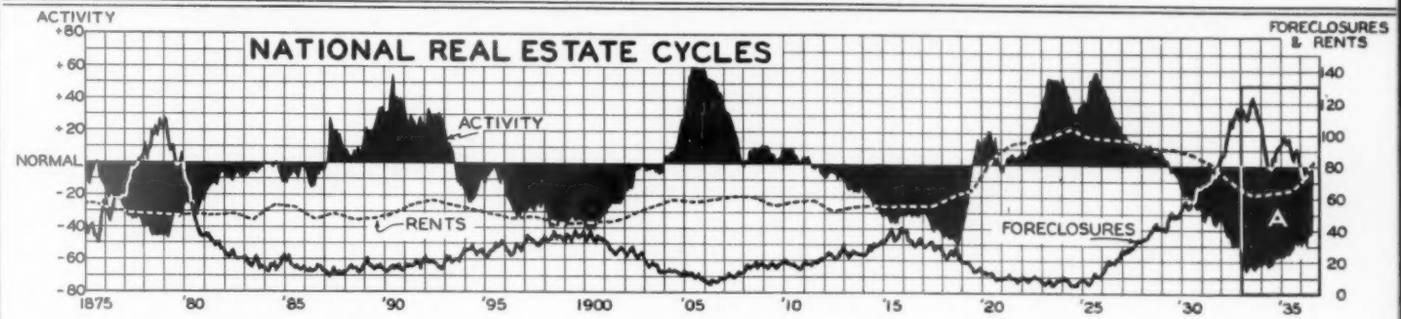
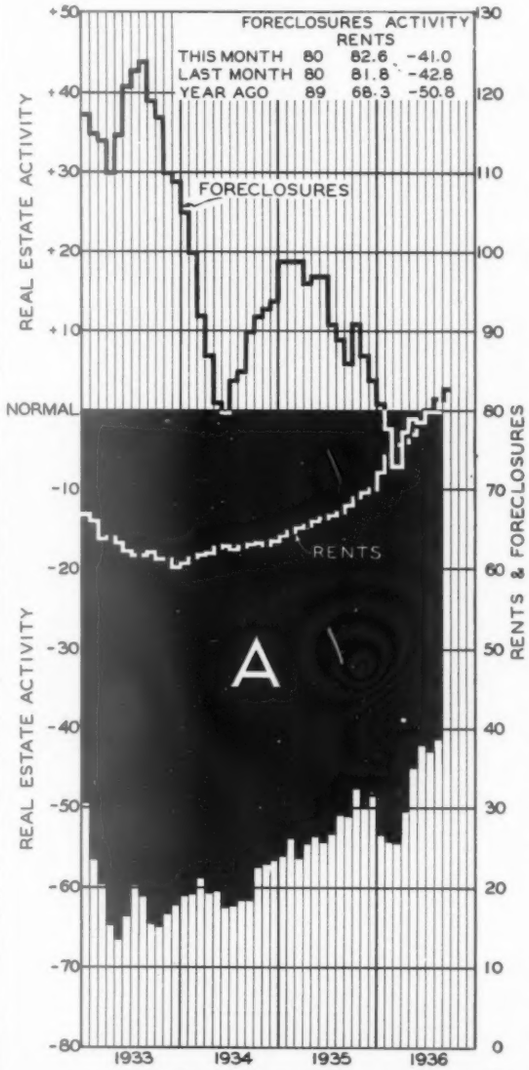
Real Estate Economists, Appraisers and Counselors





THE chart above shows the fluctuations of urban real estate activity, foreclosures, and rents in the United States from 1875 to the present. The chart to the left is the last four years of the upper chart enlarged to show monthly fluctuations.

Real estate continued to improve in a large number of metropolitan areas during the month. Our national index of real estate activity has advanced during the past three years from 66% below normal to 41% below normal. Our index of foreclosures during the past two months has remained steady at a point about 1/3 below the peak level of 1933. This failure of our index to rise in spite of the H. O. L. C. foreclosures seems significant. This foreclosure chart does not include as many communities as the chart on the back page of this report, as only those communities were included where records were available continuously from 1875 to the present.

Our national rent index continues to advance. It should be noticed that the rent and foreclosure indexes on the chart to the left should be read from the scale on the right hand side of the chart. We think that there is no such thing as a normal rent, as rent levels depend on the various factors such as the relationship of supply and demand, replacement costs of new buildings, and tax rates.

THE EXPANSION OF DEMAND FOR RESIDENTIAL UNITS

THE demand for space is elastic. In periods of prosperity it expands and in periods of depression it contracts. One hundred thousand individuals will occupy far fewer separate housing units in periods of depression than they will in periods of prosperity. One thousand commercial concerns will occupy fewer square feet of office space in periods of depression than they will during periods of great industrial activity. One thousand factories will use a smaller number of square feet of factory space than they will in periods of feverish activity. While these truths are self-evident, it is rather remarkable how seldom they have been recognized during this depression. In the period following the stock market collapse vacancy of all types of space increased rapidly, and the newspapers and magazines were filled with editorials on the iniquities of the preceding building boom which had overbuilt our cities. You will search through these articles in vain for any explanation which places the blame where it really belongs--on the contraction of demand.

According to the figures of the National Association of building Owners and Managers, the percentage of vacancy in office building space in 45 cities showed relatively little increase prior to 1929. In 1929 this figure averaged less than 13%. During the next two years, however, vacancy climbed rapidly until in 1934 it approximated 27%, but during the period from 1929 to 1934 very little new office space was built.

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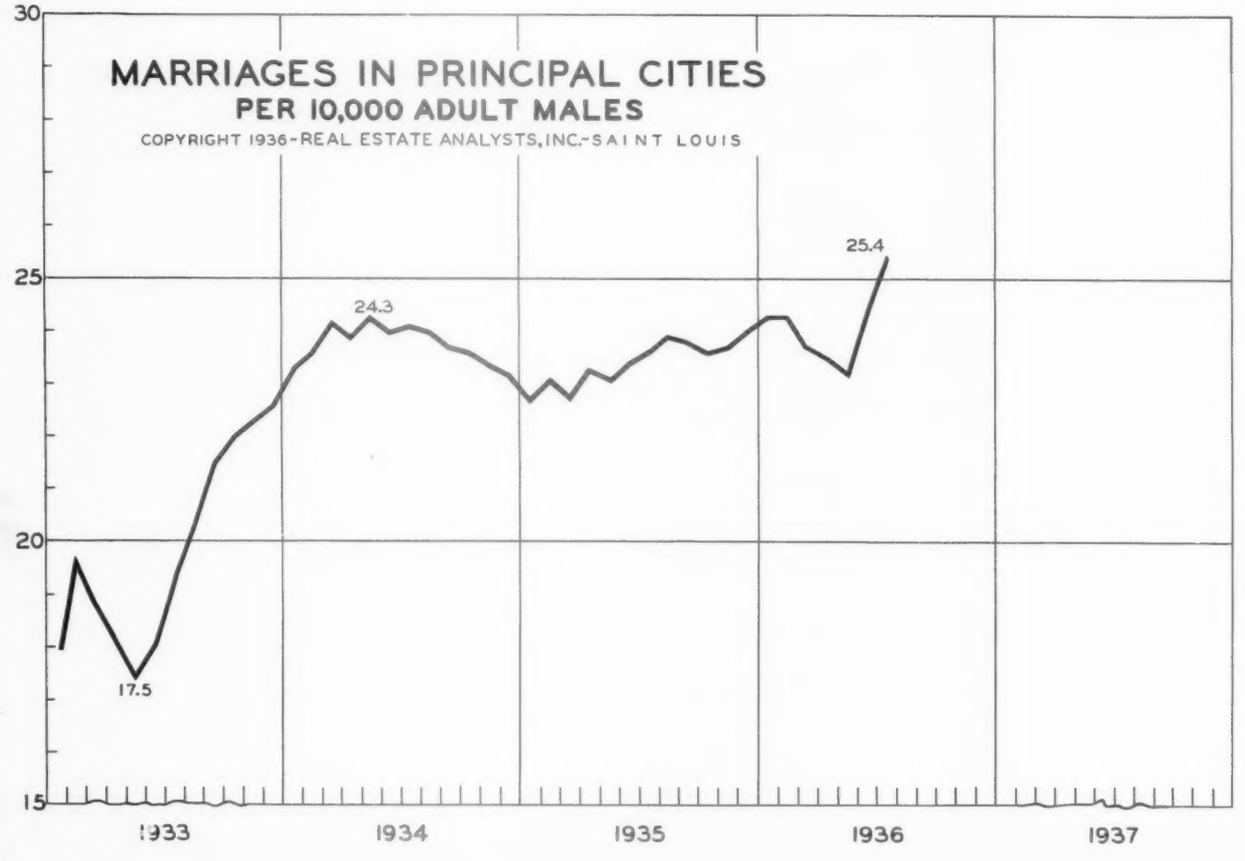

COMPARISON OF URBAN AND RURAL REAL ESTATE TRENDS IN THE LAST 24 YEARS

During the past few years the Real Estate Analyst has recommended the purchase of urban real estate as more desirable for the long swing than farm properties. By this we have not meant that farm properties would not increase in value. We have distinctly stated time and time again in these forecasts that we believed that farm values would continue to increase in practically all states and that only in isolated sections, where soil erosion or other extremely unfavorable conditions prevail, would values remain stationary or decline. On the other hand, we believe that the increases in values in urban properties will be greater on the average than the average increases which can be expected in rural areas.

In the chart below we show a comparison of the variations in the average value per acre of farms in the United States with the variations in urban residential rents as computed by the Bureau of Labor Statistics in Washington. The index of urban residential rents prepared by Real Estate Analysts, Inc., is indicated by the dotted line on the chart. It shows a more extreme variation in comparison with farm values than does the government index.

We are assuming on this chart that an index of residential rents more nearly reflects fluctuations in residential values than any

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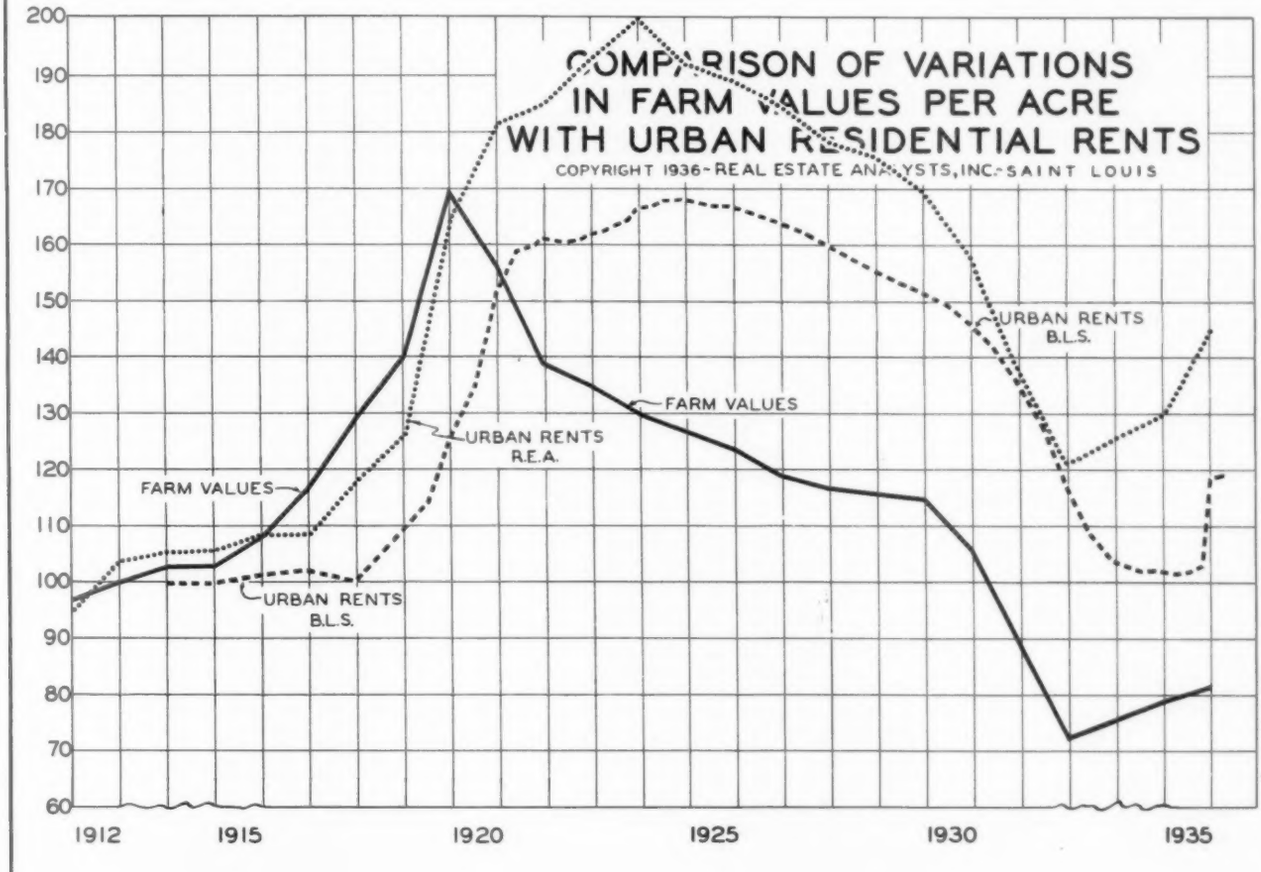

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other data we could chart. This assumption has been tested time and time again in studies we have made and seems to be borne out with comparatively little variation over a considerable period of years.

It will be noticed that, whereas farm values increased faster and further in the period prior to 1921, urban values showed a very decided upward movement until 1924; and from that period until 1927 urban values decreased less than farm values.

In order to show the relative increase in urban values in comparison with farm values we have divided the index of residential rents of the Bureau of Labor Statistics by the index of farm values with the results shown in the chart on page 611. This chart shows the increasingly preferential position of urban properties in relation to rural ones. If they were assumed to be on the same basis in 1913, urban properties are now approximately 45% above their pre-war value; while rural properties are only 83% of their pre-war value.

If our study had started in 1900 in place of 1912 we would have found the story to be totally different. In the period from 1900 to 1920 farms increased in value by a far greater percentage than did urban prop-

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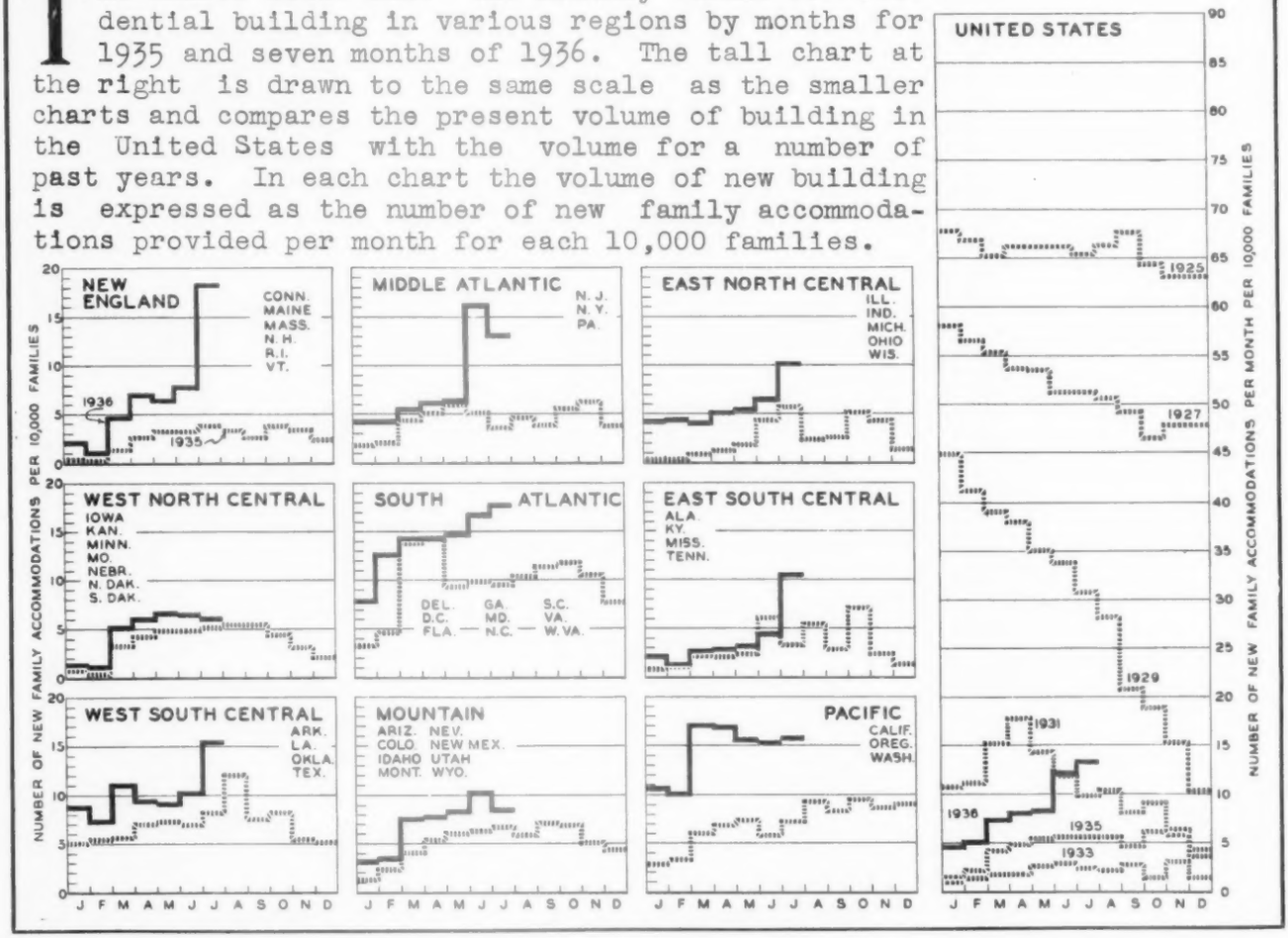
RESIDENTIAL BUILDING BY REGIONS

THE charts below show the monthly volume of residential building in various regions by months for 1935 and seven months of 1936. The tall chart at the right is drawn to the same scale as the smaller charts and compares the present volume of building in the United States with the volume for a number of past years. In each chart the volume of new building is expressed as the number of new family accommodations provided per month for each 10,000 families.



REAL ESTATE TRANSFERS IN PRINCIPAL CITIES 1930-1936

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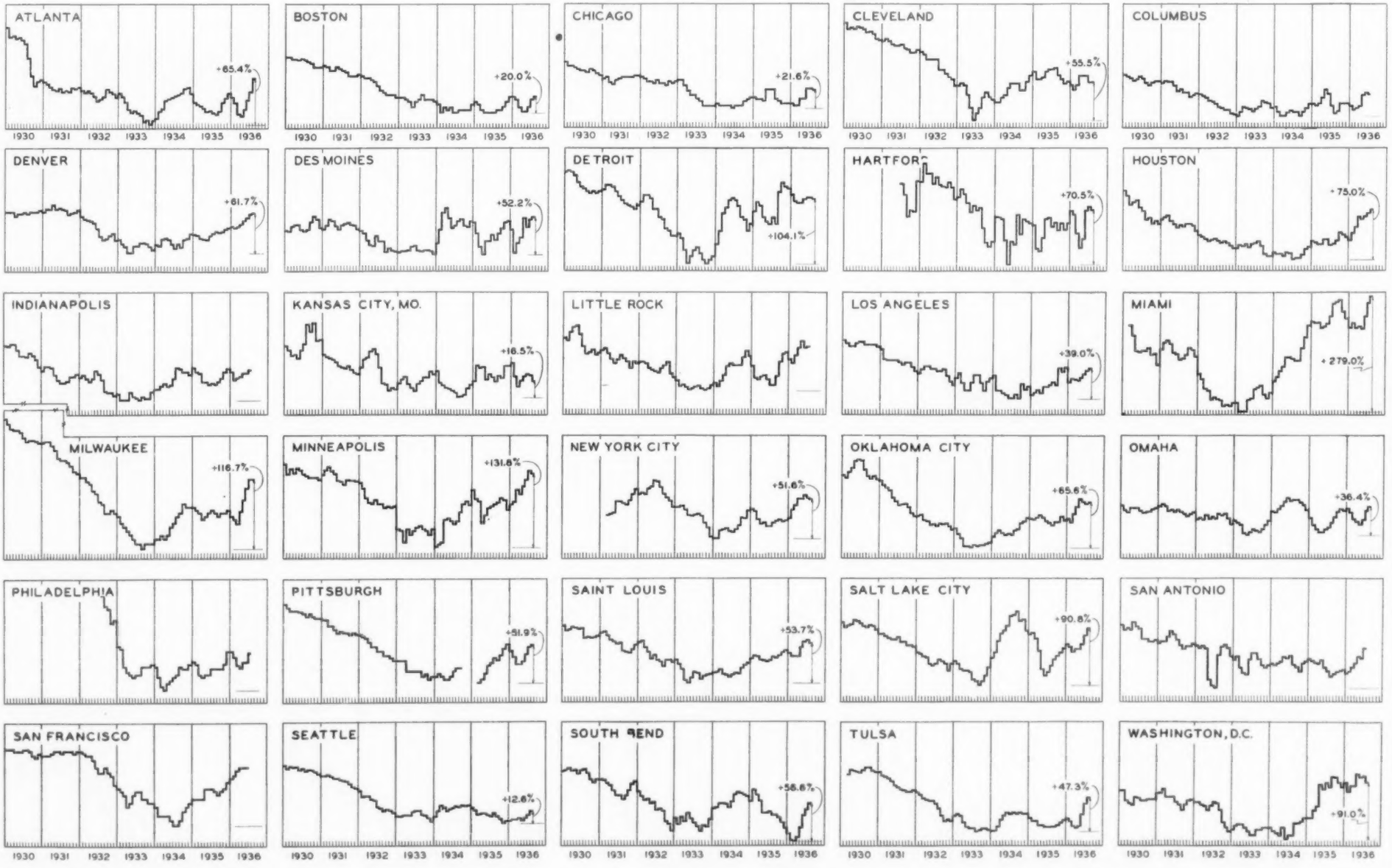

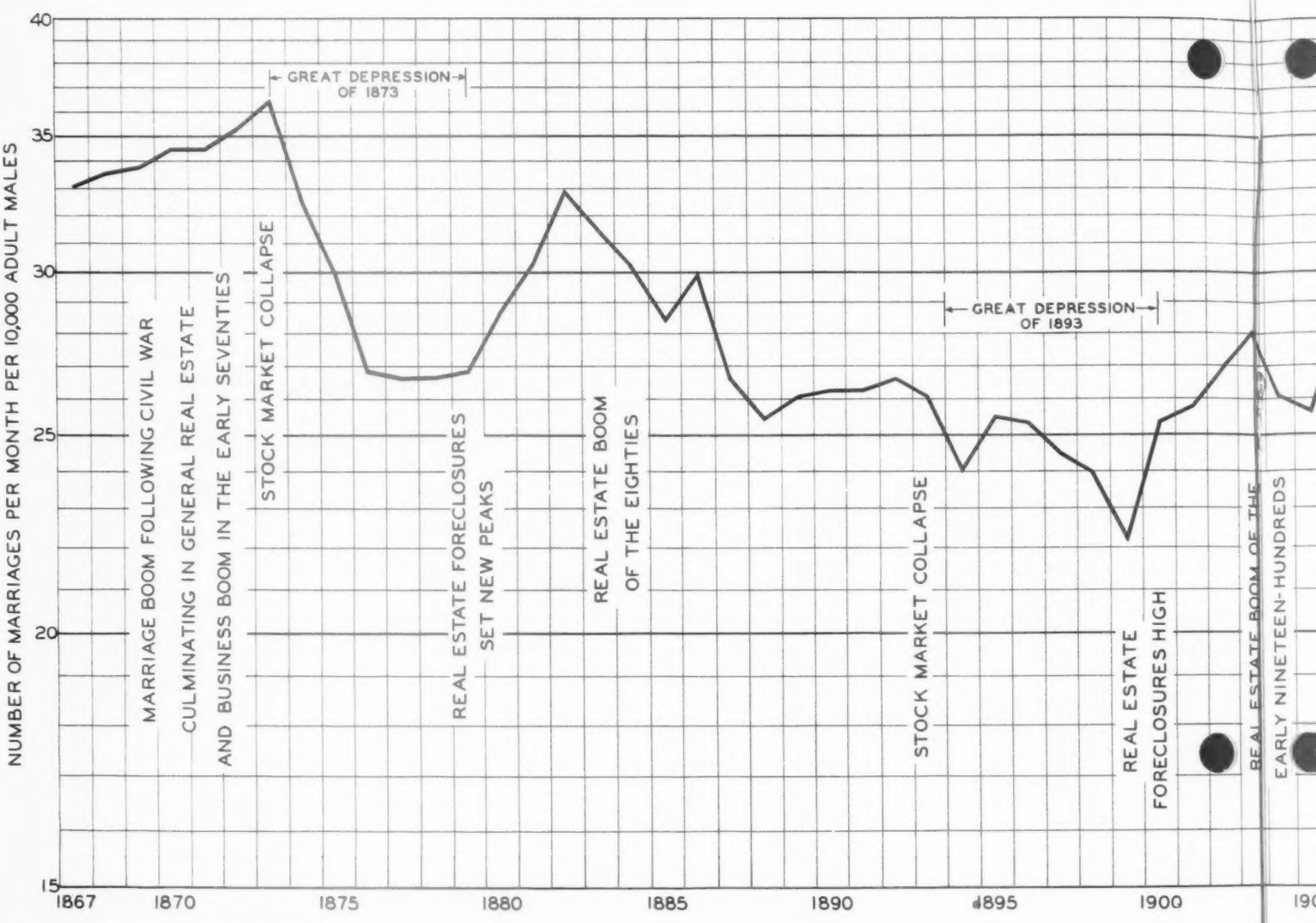

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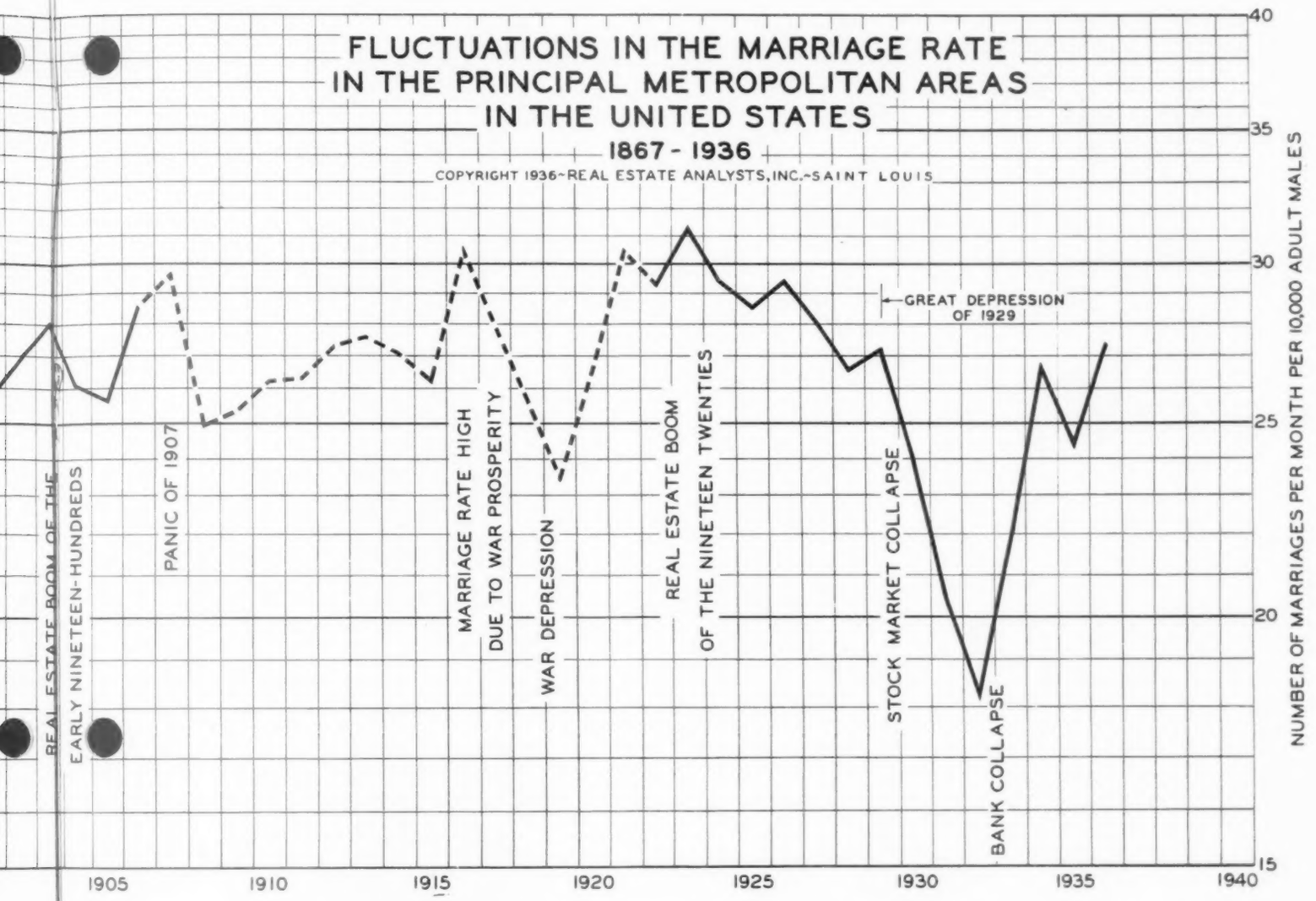
Residential vacancy figures on 76 cities show substantially the same results. Residential vacancy did not increase prior to the stock market collapse; then it sky-rocketed, reaching new heights at the time of the bank collapse. At the time of the stock market collapse new residential building in the United States was already 50% below normal, and within the next year it dropped to microscopic levels. Clearly the rapid increase in vacancy during this period was not due primarily to overbuilding but was due to the contraction of space requirements caused by the movement from the cities to the farms, the doubling up of families due to unemployment and economic distress, and the retardation of the marriage rate.

During every great depression the trend from the farm to the city has been reversed, and for a while people believe that this depression phenomenon represents a permanent reversal of the trend. In all other great depressions, however, as unemployment in the cities decreased, the trend again reversed itself with the movement back to the cities. During the initial period of recovery the net movement to the cities was quite rapid, representing largely a return of many of those forced out in the preceding years. The trend from the cities to the farms in this depression reached its peak in 1932. By 1933, however, the movement was already back



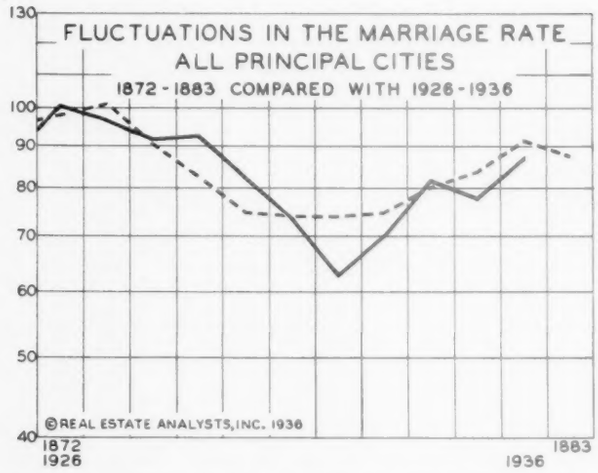
to the cities, and that movement will continue in the period ahead.

In every depression the unemployed and those whose incomes are seriously contracted find it necessary to give up separate living quarters and to move in with relatives or friends. At the same time the young persons in the family who normally would marry find the lack of economic security too great an obstacle to overcome.

On the chart at the bottom of page 604 we have shown the fluctuations in the marriage rate for the principal cities of the United States from 1933 to the present. It will be noticed that the marriage rate is now at a new depression high, although it is still considerably below the levels which we anticipate for the next few years.

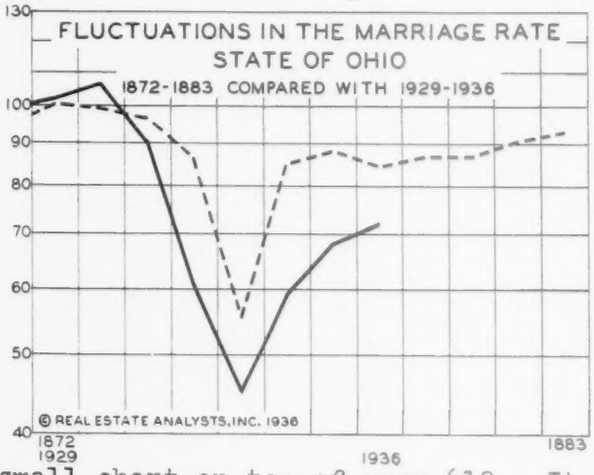
In order to understand thoroughly the importance of the variations in the marriage rate it is essential to realize that the dissolution of marriage through either death or divorce proceeds at a far more even rate regardless of booms or depressions. Marriages dissolved by death vary practically not at all with business conditions. Marriage seems to be no more hazardous during depressions than it does during booms. On the other hand, there is a slight variation in the divorce rate. Divorces decrease

slightly in depression periods, probably due to the inability to pay alimony during these times.



In periods of great prosperity the marriage rate exceeds the dissolution rate by a very sizable percentage. In periods of depression the dissolution rate exceeds the marriage rate by a large percentage. This means that during periods of depression the number of separate family units is being decreased by death and divorce faster than it is being increased by new marriages, resulting in a net shrinkage in the number of separate family units. If these changes were slight, they would affect residential vacancy to only a very small degree; but when it is realized that in a depression like the present when the marriage rate in many cities dropped to half of its accustomed height, while the dissolution rate remained practically stable, it can readily be seen that in a period of a few years' time the number of families has shrunk materially. As the depression is mitigated, however, and many of these delayed marriages take place, for a period of several years the number of separate family units will increase quite rapidly as new marriages are exceeding dissolutions. This is the position we are now in, with considerable further acceleration in our marriage rate expected as unemployment with its retarding influences slowly disappears.

The long chart on pages 608 and 609 shows the fluctuations in the marriage rate in all principal metropolitan areas on an annual basis from 1867 to the present. The dotted portion of this chart is an approximation of national figures based on returns from a limited number of urban counties. No national accumulations of marriage figures have been made for the period from 1907 to 1922, with the single exception of the year 1916. We have accumulated, however, figures from 70 or 80 counties, and on the basis of this material we have approximated the fluctuations during the interim.



The striking thing about this chart to us is the very big drops in the marriage rate starting in 1873 and 1929. To make these more striking we have superimposed them in the small chart on top of page 610. It will be noticed in this chart that the drop during the big depression of the Seventies, while not quite so severe as the drop during the present depression, approximated it in intensity. In the chart at the bottom of this page we show the same figures for all counties in the State of Ohio. It will be noticed that in the Ohio figures

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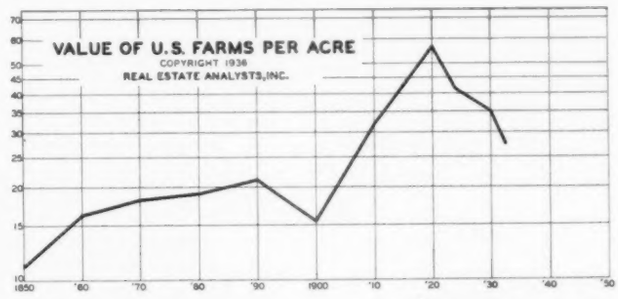
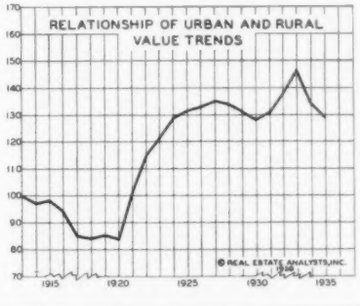
erties. This tremendous increase in farm lands is shown on the chart at the top of the page, which shows the value per acre of all U. S. farms as given by the United States census enumerations each ten years from 1850 to the present. The increase in farm values as shown by the United States census reports from 1900 to 1920 amounted to more than 250%. It is largely a hang-over from the experience of this period which makes many believe that farm lands and farm mortgages are superior to city properties at the present time.



Some of the reasons why we believe that farm properties cannot experience as great a percentage of increase in the period immediately ahead as urban properties are: Over-production of farm products will continue, due to a restriction of foreign markets and a permanently lower domestic consumption of grains for feed. We believe that the trend from the farm to the city will continue at least for the next several generations. We are also inclined to believe that crop insurance, which is coming, regardless of the election in November, will have the effect of increasing the farm output. In the South and Southwest it certainly looks as if cotton in the not far distant future will be harvested by machines. As these machines are only practical on large level tracts, the introduction of mechanical picking may increase cotton acreage in the Southwest, where large level areas are available at the expense of some of the smaller Southeastern cotton territories. This may eventually handicap materially certain Southeastern cities and may add considerable value to certain areas in Texas. All in all we believe that the farm still has many adjustments to go through before it can be operated on a continuously profitable basis, and undoubtedly the necessity of these adjustments will prevent a rise in values as rapid as that to be experienced in cities.

However, as we stated before, we believe that farm lands will continue to increase in value; and if we owned farm lands at the present time, we should continue to hold them for a while. If it later becomes apparent that inflation will run wild in the United States, we should then consider well-selected farms as one of the safest "hedges". In view of the possibility of wild inflation, the best investment portfolio at the present time should probably include some well-selected farm properties. As the probability, however, is that inflation can be controlled, we believe that the greater emphasis should be placed at the present time on urban property, particularly of the residential type, as this type of urban property experiences the earliest rise.



AVERAGE ADVERTISED SINGLE FAMILY DWELLING RENTS 1935-1936

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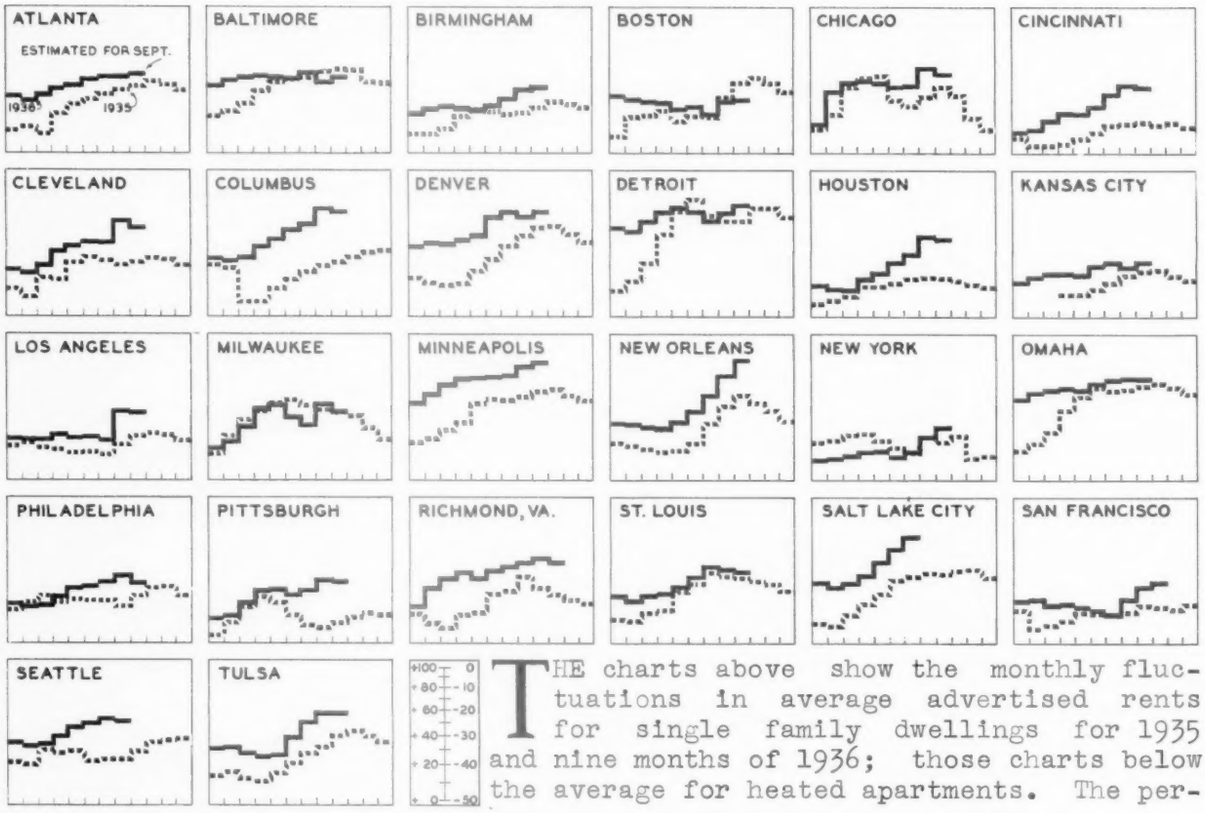

THE charts above show the monthly fluctuations in average advertised rents for single family dwellings for 1935 and nine months of 1936; those charts below, the average for heated apartments. The per-

AVERAGE ADVERTISED APARTMENT RENTS 1935-36

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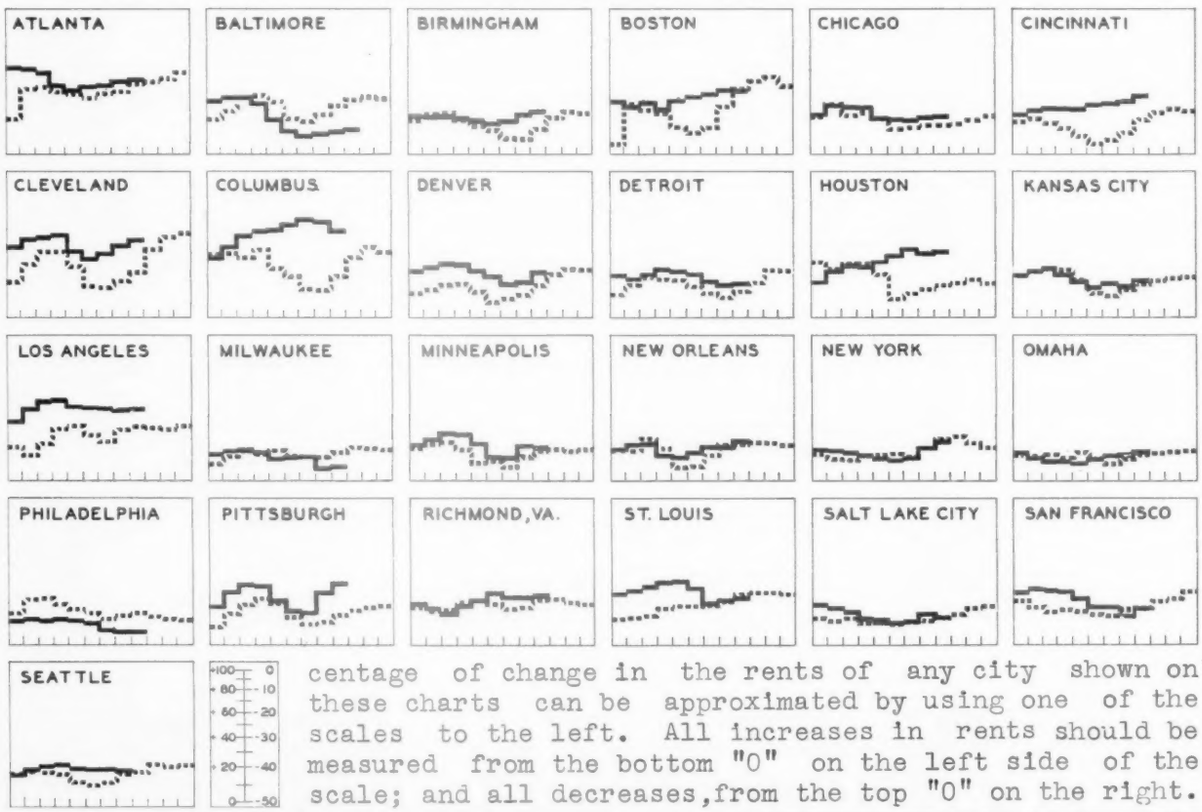


centage of change in the rents of any city shown on these charts can be approximated by using one of the scales to the left. All increases in rents should be measured from the bottom "0" on the left side of the scale; and all decreases, from the top "0" on the right.

ADVERTISED RENTALS ON DWELLING UNITS

THE Real Estate Analyst computes the average advertised rents of residential units of various types each month in the twenty-six metropolitan cities listed below. The figures given are average rents per month per room for all units of each type, large and small, advertised in the classified columns of the leading newspapers of each city.

The average of all places advertised for rent will vary considerably from month to month due to the inclusion some months of a larger number of either high or low priced units. That the trend is definitely up in most cities is indicated by the figures below and the charts opposite.

The September figures are preliminary, based on the advertisements appearing during the first two weeks of the month. In a majority of the cities these preliminary figures are above the final figures for September, 1935.

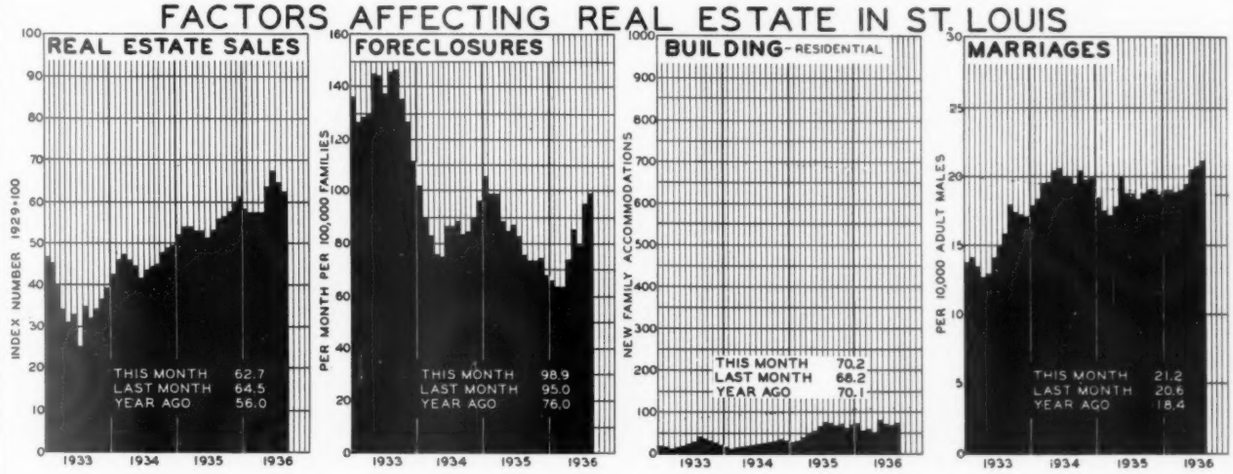
		1935				1936								
		Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	*Sept.
SINGLE FAMILY DWELLINGS	Atlanta	$7.09	$7.25	$7.12	$6.93	$6.68	$6.59	$6.71	$6.97	$7.15	$7.39	$7.51	$7.50	$7.65
	Baltimore	6.16	6.15	5.79	5.75	5.69	5.82	5.95	5.97	5.89	5.99	6.02	5.71	5.89
	Birmingham	5.06	5.22	5.15	5.08	4.96	5.03	5.06	5.03	4.87	5.00	5.18	5.43	5.48
	Boston	7.91	8.11	7.89	7.55	7.47	7.27	7.17	7.15	6.93	7.04	6.72	7.16	7.24
	Chicago	9.84	9.45	8.42	7.98	8.63	9.66	10.32	10.37	10.11	9.63	9.12	9.96	9.65
	Cincinnati	8.22	8.16	8.23	8.02	7.92	7.96	8.35	8.68	8.65	8.93	9.48	9.93	9.80
	Cleveland	7.94	8.11	8.08	7.84	7.59	7.56	7.88	8.40	8.67	8.83	8.86	9.84	9.51
	Columbus	5.31	5.45	5.59	5.61	5.42	5.36	5.44	5.71	5.95	6.23	6.42	6.98	6.85
	Denver	6.31	6.35	6.11	5.89	5.77	5.84	5.82	5.96	6.17	6.67	6.80	6.65	6.81
	Detroit	8.18	8.75	8.75	8.33	7.93	7.74	8.12	8.56	8.79	8.51	8.09	8.43	8.76
	Houston	7.38	7.24	7.10	7.01	7.00	6.92	6.84	7.20	7.47	7.81	8.09	8.86	8.70
	Kansas City	5.08	5.10	4.96	4.85	4.84	4.92	5.00	5.00	4.99	5.20	5.28	5.15	5.26
	Los Angeles	8.85	8.97	8.87	8.64	8.68	8.72	8.74	8.95	8.80	8.81	8.69	10.15	9.99
	Milwaukee	8.52	8.36	7.87	7.41	7.17	7.35	7.90	8.59	8.71	8.26	7.88	8.80	8.40
	Minneapolis	6.31	6.36	6.18	6.02	6.04	6.22	6.49	6.69	6.67	6.67	6.71	7.05	7.19
	New Orleans	6.20	5.98	5.71	5.43	5.41	5.36	5.28	5.25	5.38	5.66	6.11	6.75	7.29
	New York	12.23	12.57	11.82	11.36	10.93	11.11	11.40	11.69	11.71	11.40	11.61	12.50	13.09
	Omaha	6.50	6.59	6.45	6.22	6.14	6.27	6.34	6.38	6.36	6.57	6.62	6.69	6.69
	Philadelphia	5.77	6.01	6.02	5.78	5.46	5.46	5.52	5.79	6.01	6.03	6.11	6.30	6.04
	Pittsburgh	6.70	6.89	7.03	6.98	6.81	6.98	7.41	7.84	7.89	7.67	7.78	8.25	8.13
	Richmond	6.66	6.44	6.24	6.16	6.17	6.65	6.98	7.18	6.96	7.21	7.32	7.52	7.35
	Saint Louis	7.05	6.91	6.81	6.59	6.45	6.27	6.43	6.48	6.72	7.07	7.42	7.31	7.20
	Salt Lake City	5.74	5.82	5.83	5.63	5.49	5.33	5.49	5.58	5.91	6.30	6.70	6.60	6.45
	San Francisco	7.31	7.28	7.19	7.35	7.55	7.54	7.36	7.36	7.24	7.16	7.11	7.55	7.75
	Seattle	5.31	5.56	5.62	5.65	5.55	5.45	5.51	5.70	5.96	6.09	6.19	x	x
	Tulsa	7.17	7.33	7.16	6.92	6.77	6.74	6.56	6.42	6.48	7.11	7.67	7.97	7.98
HEATED APARTMENT UNITS	Atlanta	10.01	10.19	10.33	10.67	10.89	10.91	10.42	10.00	9.71	9.82	9.89	10.13	10.18
	Baltimore	11.59	11.97	12.04	12.00	11.93	12.05	12.02	11.65	10.74	10.09	9.79	9.88	10.00
	Birmingham	8.00	8.48	8.71	8.64	8.61	8.54	8.57	8.45	8.39	8.26	8.27	8.52	8.70
	Boston	12.68	13.17	13.46	12.79	12.17	11.55	11.68	11.13	11.59	11.80	12.05	12.20	12.22
	Chicago	11.04	11.15	11.35	11.66	11.85	12.26	12.14	11.86	11.25	11.23	11.14	11.32	11.38
	Cincinnati	10.78	11.24	11.40	11.28	11.26	11.36	11.47	11.45	11.40	11.57	11.71	12.01	12.42
	Cleveland	8.88	9.99	10.54	10.80	10.40	10.49	10.77	10.82	9.97	9.60	9.79	10.25	10.50
	Columbus	8.06	8.89	9.34	9.11	9.07	9.38	9.94	10.16	10.20	10.41	10.62	10.50	10.09
	Denver	10.06	10.65	10.95	10.90	10.87	11.02	11.24	11.16	10.76	10.31	9.94	10.02	10.53
	Detroit	9.73	10.22	10.87	10.86	10.49	10.40	10.70	10.93	10.79	10.65	10.27	10.05	10.14
	Houston	7.70	7.77	7.91	7.78	8.00	8.29	8.59	8.53	8.70	8.95	9.28	9.03	9.15
	Kansas City	6.52	6.67	6.73	6.77	6.88	7.00	7.11	6.86	6.61	6.48	6.51	6.40	6.59
	Los Angeles	11.27	11.23	11.17	11.31	11.87	12.31	12.79	12.82	12.33	12.32	12.28	12.21	12.24
	Milwaukee	9.87	10.10	10.09	10.00	9.88	9.95	10.02	9.95	9.64	9.51	9.60	9.02	9.15
	Minneapolis	8.78	8.81	8.76	8.82	9.18	9.29	9.59	9.57	9.13	8.58	8.50	9.00	8.95
	New Orleans	8.48	8.55	8.53	8.45	8.41	8.49	8.53	8.01	8.04	8.17	8.36	8.32	8.62
	New York	18.69	18.92	18.30	17.83	17.58	17.56	17.40	17.20	16.97	16.74	17.02	17.88	18.50
	Omaha	10.32	10.40	10.43	10.47	10.54	10.21	10.00	9.73	9.90	10.11	10.28	10.32	10.50
	Philadelphia	13.63	13.37	13.24	13.16	13.20	13.23	13.08	13.23	13.08	12.94	12.45	12.37	12.38
	Pittsburgh	9.35	9.56	9.70	9.77	9.91	10.51	10.96	10.82	9.93	9.42	9.29	10.28	10.70
	Richmond	10.03	10.07	9.96	9.87	9.70	9.69	9.41	9.75	10.01	10.53	10.29	10.31	10.40
	Saint Louis	9.76	9.81	9.81	9.74	9.79	9.94	10.17	10.37	10.38	9.95	9.26	9.34	9.45
	Salt Lake City	9.22	9.38	9.68	9.74	9.91	9.70	9.50	9.16	8.98	8.98	9.02	9.37	9.15
	San Francisco	10.90	11.33	11.41	11.82	11.83	12.01	11.93	11.83	11.41	11.02	11.01	10.67	10.89
	Seattle	10.21	10.58	10.48	10.52	10.23	10.37	10.53	10.60	10.50	10.56	10.46	x	x

*Preliminary
xNewspaper strike

(continued from page 610)
the valley is much sharper. This, we believe, is because of the fact that these figures included rural as well as urban counties. Since the farm prosperity cycle is slightly different from the city prosperity cycle, we would naturally expect some difference in figures which included rural territory.

There is no question of the fact that we have started to make up the shortage of marriages we have accumulated during the depression. However, this shortage has been so great that it will take many years of a marriage rate much above normal to restore the normal balance of married to single in our population. We have pointed out in numerous reports the significance of the accumulated shortage of marriages in this depression and the rapid absorption of vacancy which would come with the increases in the marriage rate. The first issue of The Real Estate Analyst carried a chart on the marriage rate as one of the significant things to watch during depressions and recoveries. In June, 1932, we forecast that a rapid rise in the marriage rate would eventually come and that a "marriage boom" would be coincident with the real estate boom. The present rise in the marriage rate is of real significance to the owners of property.

FACTORS AFFECTING REAL ESTATE IN ST. LOUIS



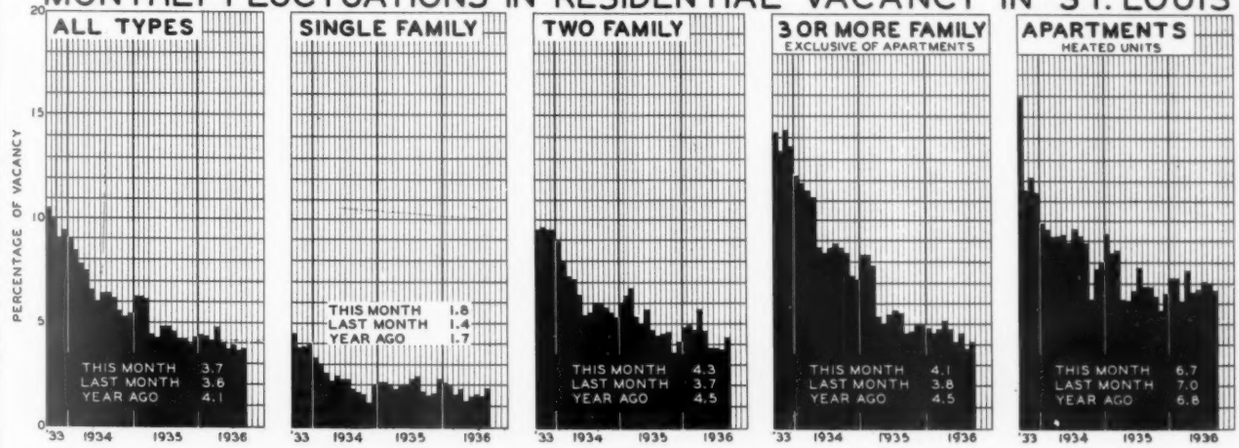
REAL Estate Analysts, Inc., has always made an intensive study of Greater Saint Louis on the assumption that an exhaustive, precise study over a long period of years of all factors affecting real estate in a single representative community is often of greater value in determining the sequence of events in collapse and recovery than is a more general study of the entire country. In addition to the charts on this page, other Saint Louis figures are shown on pages 607, 612, and 613.

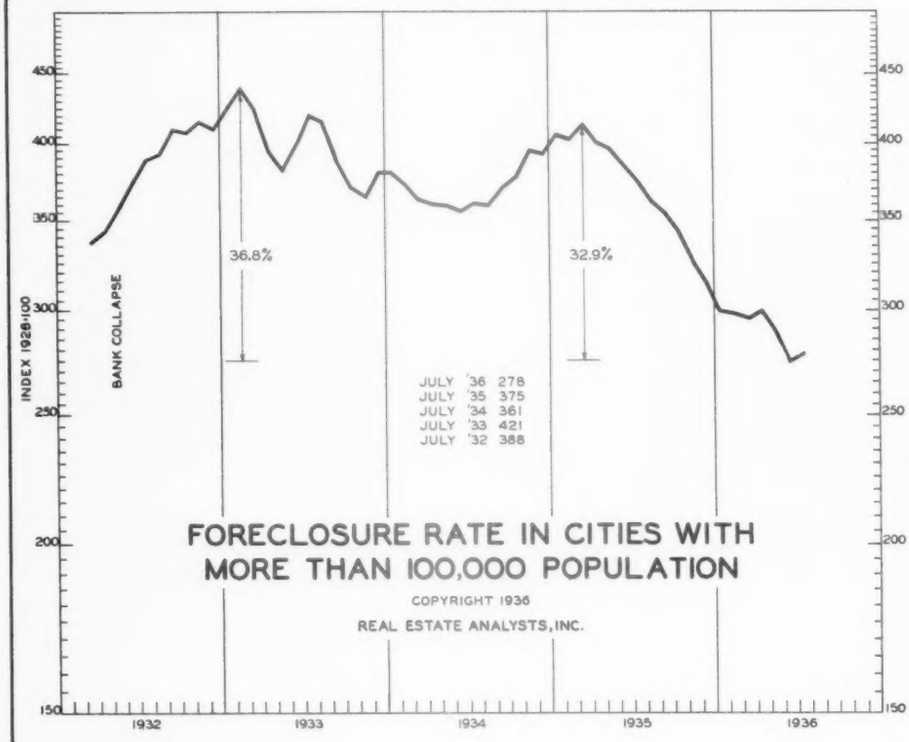
Total residential vacancy in Saint Louis increased during the past month by about 200 units--from 3.6% on August fifth to 3.7% on September seventh.

The number of vacant residential units for November, 1932, and for September of the last four years is shown in the following table:

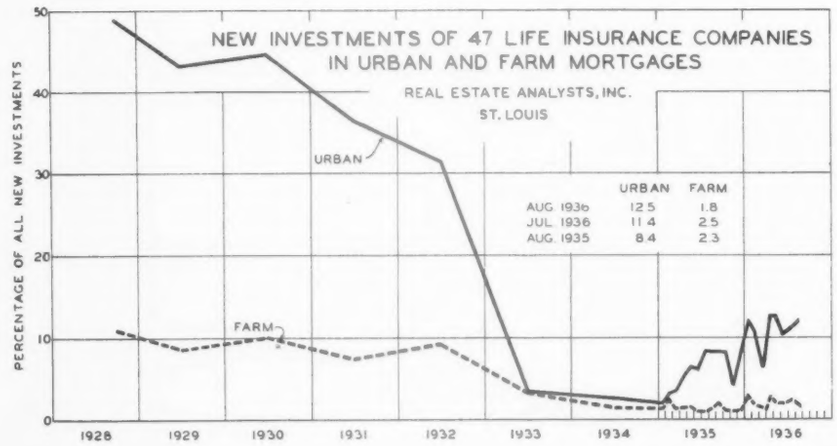
Date	Number of Vacancies	Percentage of Vacancy
November, 1932	28,207	12.8
September, 1933	23,354	10.4
September, 1934	13,600	6.1
September, 1935	9,100	4.1
September, 1936	8,200	3.7

MONTHLY FLUCTUATIONS IN RESIDENTIAL VACANCY IN ST. LOUIS

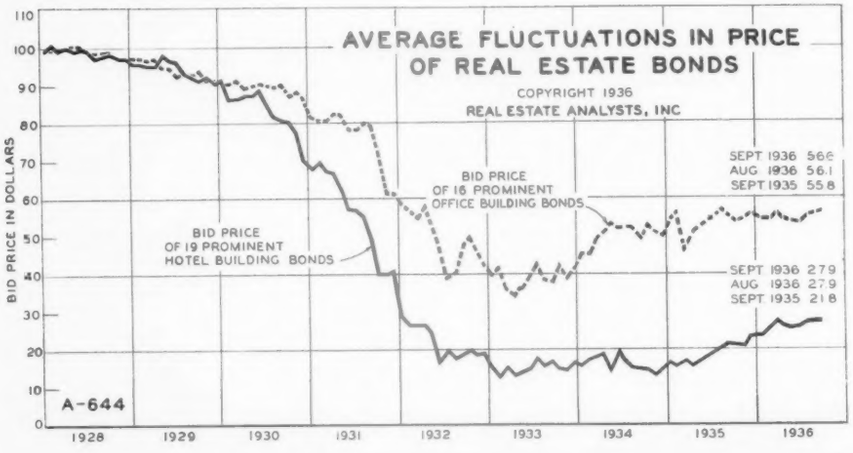




THE chart to the left shows the monthly fluctuations in the foreclosure rate in cities having more than 100,000 population. This chart is corrected for seasonal fluctuation and is based on the compilations made by the Home Owners' Loan Corporation. It will be noticed that the foreclosure rate has been dropping consistently since the spring of 1935. The preliminary figure for July is 32.9% below the 1933 peak.



THE chart to the left shows the percentage of all new investments each month invested in urban and farm mortgages by forty-seven life insurance companies. Urban mortgages are slowly coming back into favor. There is no decided trend regarding farm mortgages.



THE chart to the left shows the fluctuations in the bid prices of real estate bonds. There has been a pronounced trend upward in hotel bonds during the past year and a half. Office building bonds are not showing as pronounced a trend.